

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2018/2019

### **BFN3204 – CREDIT ANALYSIS AND LENDING MANAGEMENT**

(All sections / Groups)

26<sup>TH</sup> OCTOBER 2018

3.00p.m – 5.00p.m

(2 Hours)

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#### **INSTRUCTIONS TO STUDENTS**

1. This Questions paper consists of 2 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

**QUESTION 1 (25 MARKS)**

KUALA LUMPUR, 22 September – Bank Negara Malaysia wishes to state that financial institutions will continue to lend to individuals who can afford to take on a housing loan, including for the purchases of their first homes. About 75 per cent of borrowers (approximately 1.5 million borrowers) with housing loans are first time house buyers.

Access to financing is not the main problem confronting potential buyers of affordable houses. The fundamental issues that require resolution are affordability and the shortage of supply of reasonably priced houses.

The implementation of Bank Negara Malaysia's responsible financing guidelines serves to protect individuals' interests so that they borrow within their capacity to repay the loans throughout its tenure. This is to prevent borrowers from falling into financial hardship due to excessive debt burden that may lead to foreclosures which will undermine the objective of house ownership.

Financial institutions are responsible to establish that borrower's income after statutory deductions, expenditure on necessities and all other obligations are able to meet debt repayments. This is to ensure that borrowers can continue to service the loan and have sufficient financial buffers for living expenses and deal with any future increase in financing rates and rising costs.

The maximum housing loan tenure of 35 years is more than sufficient for borrowers to settle their housing loans by their retirement age. For example, if the housing loan is offered when the borrower is 25 years old, a financing tenure of 35 years would extend to the retirement age of 60 years old.

*Source: Bank Negara Malaysia*

a) What are the **THREE (3)** types of five credit analysis that best describe the above statement? Please elaborate.

(15 marks)

b) Clarify based on the article, how would insufficient information and improper interpretation of the facts detriment the decision making in credit operations?

(10 marks)

**Continued...**

**QUESTION 2 (25 MARKS)**

- a) How would stress analysis and credit grading system enhance the best practice in credit risk management among financial institutions? (20 marks)
- b) Most financial institutions require the companies to furnish the financial statements, which consist of the balance sheet, income statement and cash flows, as part of the loan application processes. Discuss TWO (2) purposes of the financial statements for this credit process requirement. (5 marks)

**QUESTION 3 (25 MARKS)**

- a) What are the important features in an adjustable rate mortgage that a borrower must know? (19 marks)
- b) Define bridging loan and end financing. (6 marks)

**QUESTION 4 (25 MARKS)**

- a) How can an effective collections department contribute to increased debt recovery in many companies? Discuss. (19 marks)
- b) Differentiate between compulsory winding up and voluntary winding up. (6 marks)

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